

January 30, 2004

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

Dear Ms. Johnson,

Mercantile Bankshares Corporation (the Bank) welcomes the opportunity to comment on the Federal Reserve Board's ("Board") proposed amendments to Regulations Z, B, E, M, and DD and their respective Official Staff Commentaries.

The Bank is headquartered in Baltimore, Maryland and has assets of approximately \$14 billion. The Bank conducts activities in the State of Maryland, the District of Columbia, and portions of Delaware and Pennsylvania.

This letter and the accompanying document constitute our comments on the Federal Reserve Board's ("Board") proposed amendments to Regulations Z, B, E, M, and DD. We hope they are useful in drafting the final regulation. Please do not hesitate to call if we can be of further assistance.

Sincerely,

David S. Stalnaker  
SVP/Chief Compliance Officer  
Mercantile Bankshares Corporation

***Mercantile Bankshares Corporation (the Bank) offers the following comments regarding the Federal Reserve proposal for new clear and conspicuous requirements for disclosures in regulations B, E, M, Z, and DD:***

***1) The requirements are unclear and may led to expensive lawsuits.***

Terms such as “everday words” “legal terminology,” “explanations that are imprecise” and even “wide margins” are unclear, especially with regard to complicated disclosures typical of Regulation Z. Also, it is not clear how the Bank should apply the examples to different types of disclosures, such as ATM receipts. While the proposal says that the examples are “optional,” courts cannot be expected to agree. Plus, even if the Bank wins a lawsuit, it still pays the cost of defending itself. The subjectivity of the proposal may lead to lawsuits as well as second-guessing by examiners.

***2) The proposals will impose an expensive regulatory burden.***

Under the proposal, the Bank will have to review every disclosure required under Regulations B (ECOA), E (EFTA), M (Consumer Leasing), Z (TILA), and DD (TISA) and determine whether bullet points should be added, margins widened, line spacing adjusted. They will also have to be reviewed for “understandability,” that is whether they are too legal sounding and lack “everyday words,” a very subjective standard.

The Bank will then bear the cost of redrafting and reproducing many if not all of disclosures. It is probable that some adjustment will have to be made to each required disclosure. The requirements related to font size, margin size, headings, and bullets will drastically increase the length of the disclosures, adding new costs. The Bank currently operates twenty affiliate banking institutions that utilize unique disclosures customized for their institution which means the cost to revise disclosures will be multiplied by twenty for a financial institution such as Mercantile Bankshares.

***3) The revised disclosures may be less helpful to consumers.***

Because the requirements will lengthen the disclosures, in some cases, by pages, consumers will be less inclined to review them. In addition, the Bank often includes additional information that is useful to consumers, especially on the back of checking account and credit card account statements. The Bank will have to omit this useful information or pay for the additional printing and paper. Some related required disclosures may end up segregated.

**4) *The regulations affected by the proposal are different from Regulation P and are not suited to this approach.***

Regulation P requires generic disclosures that are not specific to any particular transaction or disclosure. A single disclosure, once completed, typically applies to all of the Bank's accounts, so compliance is much simpler. Applying the same standard to the number of various disclosures in the other regulations presents a very different challenge. In addition, unlike the other consumer protection regulations, there is no civil liability for violations of Regulation P, meaning Regulation P doesn't invite lawsuits for good faith compliance.

**5) *The Board has not identified a problem with existing regulations and disclosures to justify the compliance burden and potential liability.***

The Board explains its purpose is twofold: facilitate compliance and ensure consumers understand the disclosures. While generally, the Bank appreciates consistency among regulations to make compliance easier, it is not justified or workable in this case. Addressing the second purpose, the Board has not made a case. It has not offered any examples or explanations of where the disclosures are confusing or unclear. If they exist, the Board should identify them and address them specifically.

In conclusion, the Bank believes the proposal should be withdrawn. The proposal is not suitable for the types of account and transactions covered by the regulations and the costs to revise compliance disclosures and related systems would be significant. Although the intent is to enhance disclosures, it may in fact have the opposite result and will negatively impact our customers because they will not receive logical and complete information.

The Bank appreciates the opportunity to comment on this important matter and would be pleased to provide additional information.